



FEMA

Flood Insurance, Legislation and Implementations

FEMA Region V

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Remember this?



Munster, IN
2009

Remember this?



Wabash River
floodplain near
Vincennes, IN,
May 2011



Photo by Tony Roof
from USGS site

Indiana Floods



Quick Facts on Flooding

- 80% of Declared Disasters are flood related
- Indiana has had 10 flood related declarations in the last 10 years.
- A building in the SFHA has a 26% chance of flood during a 30-year mortgage
 - 9% risk of fire over 30 years
- Most property owners buy flood insurance only when lender required

Indiana Floods



Flood Insurance In Indiana

- 442 Participating Communities
- 21 in CRS

COVERAGE

- 26,582 Policies in Force
- \$4,994,150,700 in Coverage

LOSSES

- \$4,135,101 Losses 2015
- \$248,191,863 Losses since 1978



FEMA

RECENT LEGISLATION

Biggert-Waters Flood Insurance Reform Act of 2012
Homeowners Flood Insurance Affordability Act of 2014



Biggert-Waters Flood Insurance Reform Act of 2012

- Passed on July 6, 2012
- Extended the National Flood Insurance Program 5 years, until September 30, 2017
- Its purpose:
 - Make the NFIP more financially stable by raising rates on certain classes of property to **reflect true flood risk**
 - Create a funding pool for large disasters
 - Trigger rate changes for certain properties, when certain events were met to accurately reflect the flood risk

Main Effect on Insurance

Move away from subsidy

- **Pre-FIRM structures wrote at full-risk rates**
 - Newly purchased policies required to go to full-risk rates
 - Elevation Certificates required for full-risk rating
- **Annual Percentage Increase Policies**
 - Cap rose on how high policies could go
 - Some had 25% and over rate increases
- **Grandfathered policies phase-out (not subsidized)**
 - Full-risk rate if mapped into SFHA

Impact of Biggert-Waters

- Newly purchased policies, Pre-FIRM policies were going straight to elevation based full-risk rates
 - Many policyholders had to purchase an elevation certificate to obtain and/or keep flood insurance
 - This additional expense could be burdensome
 - Didn't have a positive elevation outcome
- Policies jumped in some cases by \$1,000s
- Most other policy rate classes had a jump in rates, around 20% annually.
- We all started feeling the effects.... “Unanticipated consequences”
- Congress then tried to rectify the affects of Biggert-Waters and the impacts on homeowners

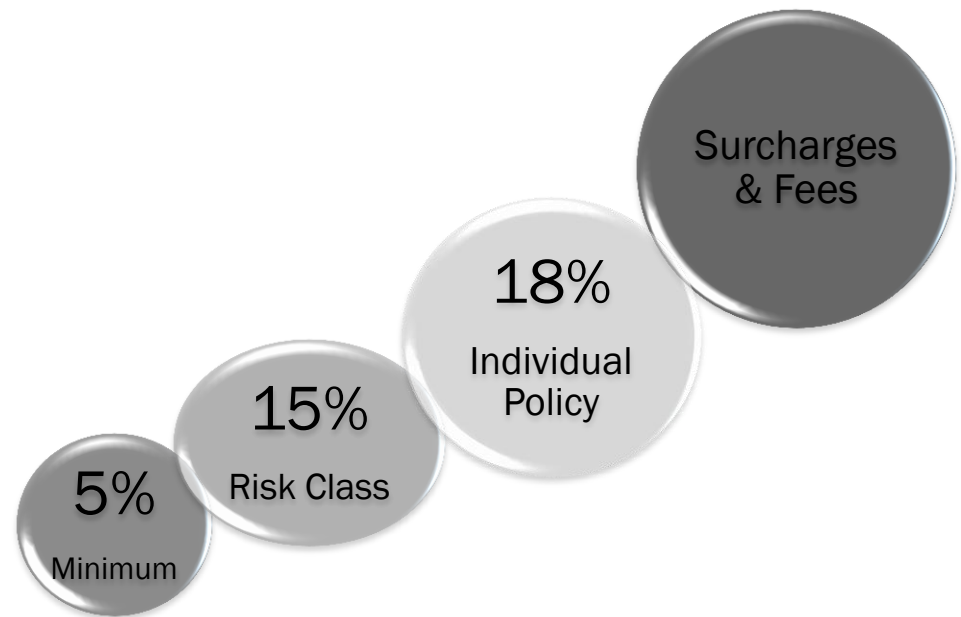
Homeowners Flood Insurance Affordability Act

- President Obama signed into law March 21, 2014
- Stops policy increases for certain subsidized policyholders
- Reverts full-risk rating for Pre-FIRM properties that hit full risk triggers
- Sets a cap on how high policies can go in a given year
- Created refunds for policies that went over a cap
- Halts the elimination of Grandfathering (for now)
- Implements a surcharge on all policyholders
- Portions legislation are being phased-in through time.

Rate Increases & Surcharges

Gradual Rate Increases

- Requires at least a 5% increase in subsidized rates a year
- Prohibits increasing rates by more than **15 %** for any risk class and **18 %** for an individual policy
- With some exceptions
 - Pre-FIRM non-primary Pre-FIRM
 - Severe Repetitive Loss
 - Pre-FIRM business properties
- Surcharges and Fees



Reserve Fund Assessment

- The Reserve Fund is aimed at assisting with the costs of NFIP claims that exceed the annual premiums collected and supporting the program's sustainability.
- As of April 1, 2016
 - 15 % annual rate assessment calculated off of premium for all policies.

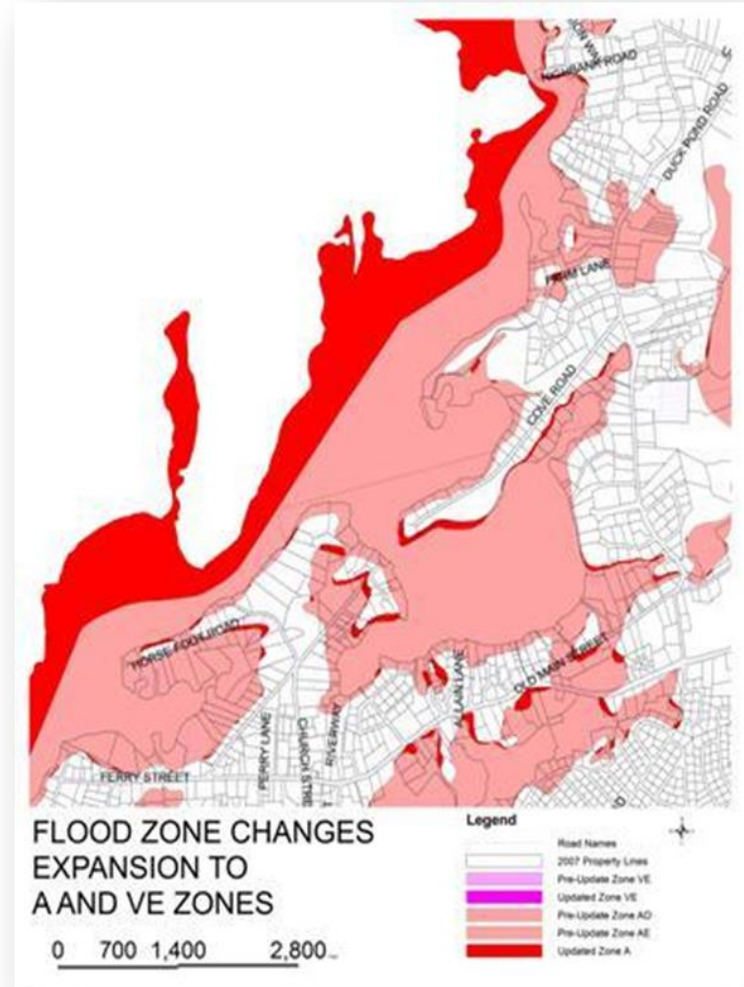
Mandatory Surcharges

- Applies to all policies
- Surcharges are not considered premium and are therefore not subject to premium increase caps required under Section 5 under the new Act
- Began **April 1, 2015**

Single Family Primary Residences/Condominium Dwelling Policy	\$25
Non-Residential, Multiple family, and Non-Primary Residence	\$250
RCBAP and Other Residential	\$250

Grandfathering

- **HFIAA restores ability to grandfather properties into lower risk classes**
 - For newly mapped properties, the law sets first year premiums at the same rate offered to properties located outside the SFHA (Preferred Risk Policy rates)



Properties Newly Mapped

- **Properties newly mapped into the SFHA (Started April 1, 2015)**
 - Between October 1, 2008, and March 31, 2015, are eligible for the Newly Mapped Procedure if they obtain coverage before **March 1, 2016**. (PRP Eligibility Extension)
 - New maps published after April 1, 2015 homeowner must obtain coverage within 12 months of the map revision date.
- **Eligible properties begin with a Preferred Risk Policy premium for a year (before fees and surcharges)**
 - Must meet loss history requirements of PRP
 - After initial policy year will get a multiplier added until it reaches full risk rates
 - May be able to have a standard X zone rated policy after (Grandfathering)

Residential Policy Deductible Option

- \$10,000 deductible option is available for residential properties
- A disclosure must be made at the time of application
 - If selecting the \$10,000 for a policy with both building and contents coverage, the deductible is \$10,000 on each (\$20,000 combined)
 - **Can you afford this deductible? \$\$\$\$\$\$\$\$\$**

Flood Insurance Advocate

- Assists in understanding how to appeal preliminary rate maps and implementing measures to mitigate evolving flood risks;
- Coordinates outreach and education with local officials and community leaders in areas impacted by map amendments and revisions; and
- Aids potential policy holders in obtaining and verifying accurate rate information when purchasing or renewing a policy.

Effective December 22nd, 2014

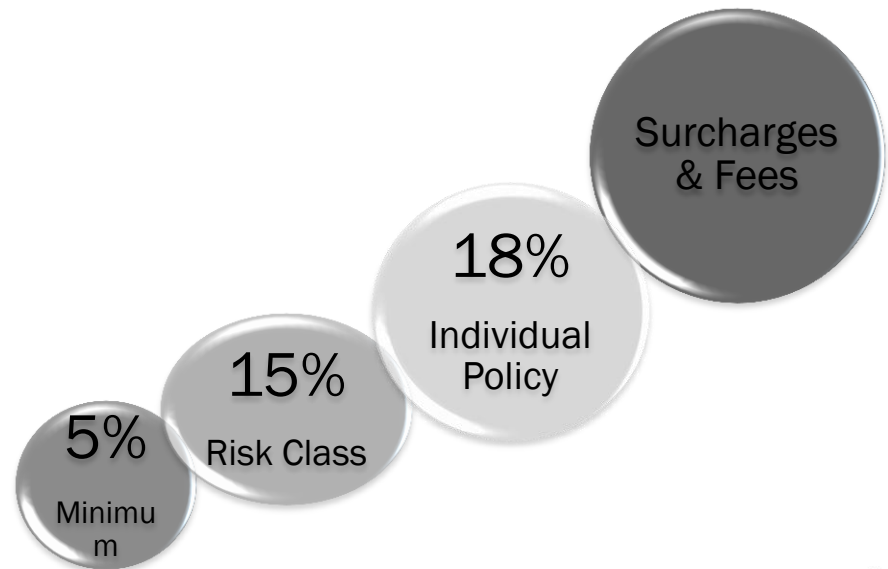
Director of the Office of Flood Insurance Advocate

David Stearrett

It's Official!

This April

- **Policy Rates will continue to go up in all rate classes**
- **Subsidized (Pre-FIRM, no elevation)**
 - Non-Primary Residences Pre-FIRM A and V zones- **24%**
 - Primary Residence- **5%**
 - Business Class, SRL -**25%**
- **Elevation based rates**
 - Unnumbered A- **13%**
 - AE-**9%**
 - AO, AH, AR, A99 -**4%**
- **X zone, outside SFHA**
 - Standard-**3%**
 - PRP- **5%**
- **Federal Policy Fee**
 - \$25 PRP and \$50 Standard Policy



This April

■ Subsidy Elimination for Lapsed /Canceled Policies

- Previously covered by NFIP
- Under same ownership
- Lapsed more than 90 days then reinstated
- Legally Required to carry a policy (Mandatory Purchase)

■ Clear Communications

- FEMA and WYO must clearly communicate to policyholders the risk of flood damage and how flood insurance premiums do or do not correlate with that risk
- Insurance companies must keep current map information,
- If available: EC, SFHD, LOMA/LOMR information
- In October all companies must re-underwrite policies



Where Should It Stop?

Takeaways

- Major flood events continue to happen
- HFIAA only slowed B-W changes, subsidy is phasing out
- Riding the subsidized rate increases up may surpass the true-risk rate
- Some private companies are insuring flood now
 - They can drop a policyholder if there are repetitive losses
 - If a lender is involved they have to approve the private policy
 - Some GSEs won't accept a private policy
- Floodplain management and mitigation is still the best tool for risk reduction and insurance costs
 - Enforce Floodplain Management Rules
 - Set higher standards

Resources

- Flood Insurance reform page-
 - <http://www.fema.gov/national-flood-insurance-program/flood-insurance-reform>
- NFIP I-Services
 - www.NFIPiservice.com (FEMA Bulletins, Reports, Training, Mailing Lists for flood insurance)
- Floodsmart –
 - www.FloodSmart.gov
- Map Service Center (including historic maps)
 - www.msc.fema.gov
- FEMA NFIP Homepage
 - <https://www.fema.gov/national-flood-insurance-program>
- New Elevation Certificate
 - http://nfipiservice.com/Stakeholder/W_16002/W-16002.html